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<http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/about/ezecinit.cfm>.



## Introduction to the RC/EZ Initiative

In December 2000, Congress passed legislation to create 40 Renewal Communities and a new round of Empowerment Zones. HUD held a competition for the new designations in 2001 and announced the winners in December. The Department's Office of Community Renewal is working very hard to help these designees to achieve the community development made possible by a generous \$11 Billion tax incentive package.

Senator Rick Santorum of Pennsylvania and former Congressman J.C. Watts, Jr. of Oklahoma outlined the recent success and current promise of the RC/EZ/EC Initiative in a joint April 29, 2002 letter to President George W. Bush. The Senator and Congressman wrote the following to the President:

"The United States Congress worked diligently over the past several years to create an environment that enables distressed urban and rural communities to have hope for the future through economic and social renewal. Our belief is that when private industry flourishes in these communities, it directly, and positively, impacts peoples' lives. The Community Renewal and New Markets Initiative, enacted in 2000, does just this, with a tax-incentive package designed to attract businesses to Renewal Communities and Empowerment Zones across the nation."

On December 21, 1994, HUD and USDA designated 105 distressed communities across the Nation as Empowerment Zones and Enterprise Communities (EZs and ECs). In January 1999, the initiative was expanded through a second round of designations to include 20 new urban and rural Empowerment Zones and 20 new rural Enterprise Communities. Take a virtual tour through information on all the RC/EZ/EC designated areas.

In December 2000, the Initiative was expanded further through the Community Renewal Tax Relief Act of 2000, which authorized designations for 40 Renewal Communities (RCs) and 9 more EZs. On December 31, 2001, HUD designated 40 Renewal Communities, 28 in urban areas and 12 in rural areas. Also, HUD designated 8 urban Round III Empowerment Zones and USDA designated 2 rural Round III EZs. HUD designated 8 urban EZs in Round III instead of just 7 because one slot became open when Atlanta, Georgia gained an RC designation but lost its EZ designation. Atlanta lost this designation because the area that Atlanta nominated as an RC shared census tracts with the existing EZ.

The RC/EZ/EC Initiative takes an innovative approach to revitalization. It brings communities together through public and private partnerships to attract the investment necessary for sustainable economic and community development. The Initiative recognizes that local communities, working together, can best identify and develop local solutions to the problems they face.

The Federal Government has been actively engaged in assisting the designated communities in realizing their revitalization strategies. By providing tax incentives,

grants, loans, and technical assistance, the Initiative has helped spur private investment in communities that have experienced severe economic decline. The program provides performance-oriented, flexible Federal grant funding so communities can design local solutions that empower residents to participate in the revitalization of their neighborhoods.

The urban EZs have used their Federal seed money to create partnerships that have leveraged more than \$12 billion in public and private investment. Strategies resulting from these partnerships have generated jobs; provided business assistance and services; trained and educated youth and families; improved access to childcare, healthcare and transportation; and increased residents' safety and involvement in their neighborhoods.

In 1994, following a highly competitive process (Round I), HUD designated 65 cities as Enterprise Communities (ECs) and 6 cities as Empowerment Zones (EZs). Funds that were available to communities through Round I designation were derived from the Social Services Block Grant (SSBG) program administered by the Department of Health and Human Services. A second round of competition for EZ/EC designation was held in 1998. Round II urban EZ designees received funds through HUD's Appropriations Acts of 1999 and 2000. Please see below for amounts of funding through EZ/EC designation in both Rounds I and II.

### **Round I Empowerment Zones**

Nine Empowerment Zones - six urban and three rural zones. Each urban zone received \$100 million in flexible social service block grants and tax breaks for zone businesses; each rural zone received \$40 million in grants and tax breaks. The President also announced the designation of two Supplemental Empowerment Zones -- Los Angeles, CA and Cleveland, OH - which received economic development grants through HUD. Los Angeles received \$450 million in grants, and Cleveland received \$177 million.

### **Round II Empowerment Zones**

Twenty new Empowerment Zones - 15 urban and 5 rural, were designated through the Round II competition. For Fiscal Years 1999 through 2004, Congress has approved a total of approximately \$25 Million in funding for each of these Zones.

### **Round II Enterprise Communities**

In Round II, only rural areas received Enterprise Community designation. A total of 20 rural ECs were designated through Round II. Congress has approved \$250,000 annually for each Round II rural EC for fiscal years '99 through '01.

### **Renewal Communities and Round III Empowerment Zones**

The Omnibus Consolidation & Emergency Supplemental Appropriations Act for FY 2001 (P.L. 106-554), signed into law on December 21, 2000, enacted the provisions of a number of bills of the 106th Congress. Among them was the Community Renewal Tax Relief Act of 2000 (CRTR Act), which authorizes the designation of 9 new Empowerment Zones (EZs - 7 urban and 2 rural) and 40 Renewal Communities (RCs - 28 urban and 12 rural). HUD actually designated 8 urban Empowerment Zones in Round III, while USDA designated 2 rural Round III EZs. HUD designated 8 urban EZs instead of the planned 7 because one slot

became open when Atlanta, Georgia gained an RC designation but lost its EZ designation. Atlanta lost this designation because the area that Atlanta nominated as an RC shared census tracts with the existing EZ. The designation period of these RCs and Round III EZs will be from January 1, 2002 through December 31, 2009.

Content updated October 26, 2005

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